

**COMMERCIAL ACTIVITIES PANEL**  
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**SPEAKER'S SUMMARY STATEMENT**

*SUBMITTED BY*  
**Dennis Wright**  
**Director of Marketing**  
**Brown & Root Services**  
**(703-526-7557; dennis.wright@halliburton.com)**

Good Morning. My name is Dennis Wright, Director of Marketing, Brown & Root Services. I was a 33-year career naval officer and government procurement official before joining Brown & Root three years ago. I was a member of the Professional Acquisition Community, DAWIA Level III certified and hold a CPCM (Certified Professional Contracts Manager) certification from NCMA (National Contracts Management Association). Brown & Root is a division of Kellogg Brown & Root, a Halliburton Company, and is one of the largest services companies in the world. Our experience spans the commercial oil and gas services market to supporting our deployed forces in the Balkans, the largest field operations support contract in DOD. We also provide base operations support on many Army, Navy, Air Force and NASA installations throughout the world.

I will focus immediately on the key issues. The present A-76 Commercial Activities program is broken. Let me put that in perspective. No longer is the government the only market for contracting-out services. Today many commercial businesses are themselves looking at outsourcing services. We are in a target rich environment, for example, the Fort Leavenworth outsourcing effort received no bids, other installations are similarly experiencing lack of interest from industry.

Most companies like Brown & Root have a finite Bid and Proposal (B&P) budget. This figure is set by our revenue base and our prescribed G&A (General and Administrative) rates. Our annual B&P budget is not unlike government-operating budgets. You identify a spend plan and for the most part, adhere to that plan. Good companies plan their B&P budgets well in advance based on their knowledge of the market place, competitors and identification of opportunities. As a publicly traded company, we are obligated to our shareholders to make a return on their investment. We must make wise decisions on where and how we spend our money, and what we will bid on. Today, the A-76 Commercial Activities program does not look like a wise investment.

Let me put this in perspective. I would like to call your attention to the following Bid/No-Bid decision matrix, as I think this will illustrate many of the factors that must be fixed if the Commercial Activities program is to really work effectively.

**To Bid or Not to Bid**

Probability of Winning New Work  
 $.3 \times .4 = 12\%$

**\$250 - 750K  
B&P Costs**

- 1) Requirement Uncertainty
- 2) SKED Uncertainty
- 3) Prolonged Pursuit
- 4) Many Changes/Amendments
- 5) Hostile Environment
- 6) 25-33% Win over Competition (.3)
- 7) Prevail over Protests
- 8) Overcome \$10M or 10% Hurdle
- 9) Prevail over Appeals
- 10) 57% Stay in-house MEO (.6)
- 11) Bid or No Bid?

**What Would You Do?**

GOVERNMENT PROJECTS WORLDWIDE

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For a large complex multi-function A-76 procurement, a company can expect to spend between \$250-750K of their B&P budget dollars. This expense will be assessed against other pursuits, both public and private. The pursuits with the highest probability of a win, with the best overall anticipated return, will then make up your pursuit plan. Let's assess what we have seen to date in the A-76 Commercial Activities program.

First, the requirement and contract structure are often vague. For example, Pensacola Naval Air Station started out as a single multi-functional opportunity, then was split into thirds and ended up being segmented in eight parts, that vacillated between a five and three year period of performance. Installations are reluctant to share or promulgate meaningful workload metrics to help contractors develop their proposal. In addition, acquisition schedules routinely slide. For example, an RFP is announced to come out in April, then delayed to July, then to September. As the pursuit begins, the cycle stretches further as the changes in requirements multiply. Guam Naval Station, for example, had 27 amendments. The government workforce is biased against contractors. Government employees are led to believe that contractors are going to do away with their jobs or grossly underpay them. They're psyched. They organize outside the gate when you show up for industry day with signs of protest.

Competition is fierce. You will go up against at least three, and perhaps five or more competitors. This means you have a 20-33% probability of beating them straight up. For argument's sake, I've assumed a 30% probability to win. After a lengthy written proposal, in addition to a day of robust orals, and multiple BAFO's, the winning contractor of the down select must then face off with the MEO. But before the cost

comparison is conducted, there is a high probability of protest. Now the attorney's engage. Protest costs are typically not included in your B&P budget, but what the heck, you're in for a nickel, you're in for a dime. The meter is running.

The cost comparison is conducted, and we know through the GAO that 57% of the competitions today result in retention by the government. Not surprising with an uneven playing field and a built-in \$10M or 10% cost advantage. If you win, today's environment all but guarantees an appeal by the government union, again resulting in legal meters and time clocks running. Aberdeen is perhaps the benchmark in how not to conduct an A-76 study.

To summarize, you anticipate tying up perhaps as much as \$750K for up to three years with an overall 12% probability of a win...WHAT WOULD YOU DO? Too often today, the answer is NO BID.

What can you do to fix it? First, I would look at what the government did in Acquisition Reform of Weapon System and hardware procurements. Learn from those lessons. Revisit DMRD 916 and the merits of consolidation of contract administration services. Today there is no single face to industry to address contract management issues and problems. I encourage you to direct government agencies to delegate contract administration to DCMA under FAR Part 42, at least for major, and/or complex multi-year awards. Second, establish a working group to draft legislation to reform how the government acquires services, with the goal of longer contract terms, shorter procurement lead-times, more emphasis on performance based contracts, and incentive type contracts. Allow industry to accomplish the goals of putting dollars in the hands of small business by putting the onus on prime contractors to achieve higher distribution of dollars to small businesses. This "performance based approach" will achieve greater savings through larger and more fully integrated contracts and put more money in the hands of small businesses.

To effect reform in how the government acquired Weapons Systems we had FASA (Federal Acquisition Streamlining Act) and FARA (Federal Acquisition Reform Act). Now is the time for SARA, Services Acquisition Reform Act.

I encourage the Panel to review three written statements that I submitted previously for your consideration. Each of these documents goes into much greater detail, with specific examples with quantifiable savings and more definitive recommendations.

Thank you for your time and the opportunity to address the Panel.